

## **FISCAL NOTE**

### **SB 2551 – HB 4133**

February 5, 2008

**SUMMARY OF BILL:** Authorizes a job tax credit, to be used against a taxpayer's total franchise and excise tax obligation, equal to 25% of that portion of the taxpayer's Federal Work Opportunity tax credit directly attributable to employment of ex-felons.

#### **ESTIMATED FISCAL IMPACT:**


**Decrease State Revenue - \$234,400**

##### Assumptions:

- A taxpayer's Federal Work Opportunity tax credit is determined from the taxpayer's Internal Revenue Service Forms 5884 and 8850.
- According to the Department of Revenue, the Tennessee Department of Labor and Workforce Development issued 26,151 federal Work Opportunity Tax Credit (WOTC) certifications and 14,248 Welfare-to-Work (WTW) Tax Credit certification, representing in excess of \$150,000,000 in potential federal income tax savings to TN employers.
- DOR estimates that 50% of such federal tax savings (or \$75,000,000) would be attributable to WOTC certifications.
- 5% of such federal tax savings attributable to WOTC certifications (or \$3,750,000) is attributable to the employment of ex-felons.
- Maximum allowable credit is estimated to be \$937,500 ( $\$3,750,000 \times 25\%$  maximum allowable credit = \$937,500) per year.
- The DOR estimates that approximately 25% of the maximum allowable credit (or \$234,375) could be utilized against taxpayer's franchise and excise tax liability in any given year. Therefore, the decrease of state revenue is estimated to be \$234,400 per year.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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